

26<sup>th</sup> October, 2023

**BSE Limited (BSE)**

The Department of Corporate Services  
Phiroze Jeejeebhoy Towers  
Dalal Street,  
Mumbai – 400 001

**Scrip Code: 532966**

**National Stock Exchange of India Limited (NSE)**

The Listing Compliance Department  
Exchange Plaza Bandra-Kurla Complex  
Bandra (E), Mumbai – 400 051

**Scrip Code: TITAGARH**

Dear Madam/Sir,

**Sub: Transcript of the Investor Update Call**

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of the Investor Update Call of Titagarh Rail Systems Limited ('the Company') held on Thursday, 19<sup>th</sup> October, 2023 at 4:00 P.M. The same can also be accessed on the Company's website at

[https://titagarh.in/storage/report/actual/1698296987\\_7ezD0\\_19102023-transcript-of-investor-callpdf.pdf](https://titagarh.in/storage/report/actual/1698296987_7ezD0_19102023-transcript-of-investor-callpdf.pdf)

Please take the above on record.

Thanking you,

Yours faithfully,

**For TITAGARH RAIL SYSTEMS LIMITED  
(Formerly Titagarh Wagons Limited)**

**Dinesh Arya  
Company Secretary & Chief Compliance Officer  
M.No. FCS 3665**

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“Titagarh Rail Systems Limited  
Q2 FY ‘24 Earnings Conference Call”

October 19, 2023



**MANAGEMENT:** **MR. UMESH CHOWDHARY – VICE CHAIRMAN AND MANAGING DIRECTOR – TITAGARH RAIL SYSTEMS LIMITED**  
**MR. PRITHISH CHOWDHARY – DIRECTOR MARKETING AND BUSINESS DEVELOPMENT – TITAGARH RAIL SYSTEMS LIMITED**  
**MR. ANIL AGARWAL – DIRECTOR FINANCE – CHIEF FINANCIAL OFFICER, CHIEF BUSINESS AND RISK OFFICER – TITAGARH RAIL SYSTEMS LIMITED**  
**MR. SAURAV SINGHANIA – JOINT CHIEF FINANCIAL OFFICER AND GROUP FINANCIAL CONTROLLER – TITAGARH RAIL SYSTEMS LIMITED**

**MODERATOR:** **MR. DHIRENDRA TIWARI – ANTIQUE STOCK BROKING LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Titagarh Rail Systems Limited Q2 FY '24 Conference Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhirendra Tiwari from Antique Stock Broking. Thank you, and over to you, Mr. Tiwari.

**Dhirendra Tiwari:** Thank you. Good evening, ladies and gentlemen. On behalf of Antique Stock Broking, I welcome you to 2Q FY '24 Post Results Conference Call of Titagarh Rail Systems Limited. We are very glad to have with us today Mr. Umesh Chowdhary, Vice Chairman and Managing Director; Mr. Prithish Chowdhary, Director Marketing and Business Development; Mr. Anil Agarwal, Director, Finance, CFO and CBRO; and Mr. Saurav Singhania Joint CFO and Group Financial Controller. I would like to congratulate the entire team of Titagarh Rail Systems for reporting yet another quarter of very strong performance.

Now I would invite Mr. Umesh Chowdhary for his initial remarks on the results and outlook. Over to you, Umesh Ji.

**Umesh Chowdhary:** Thank you very much, Dhirendra Ji, and thank you for hosting this Earnings Conference Call, Antique is hosting this call for the first time. So, it's a great pleasure to have you host the call. Very good afternoon to all the participants and thank you for joining the call.

The quarter has been, I would say, in line with what we have been expecting. I had mentioned earlier also that we would be maintaining for the first couple of quarters or 2, 3 quarters a run rate of similar nature, which we have done. As far as the two businesses are concerned, freight rolling stock and the passenger rail systems. As far as freight rolling stock is concerned, the performance has been in line with what we had expected.

Although we have been able to touch in a particular month, about 750 - 760 wagons, 759 wagons output as has been disclosed in our presentation. We are very well on track to touch the 1,000 wagons mark by the end of this fiscal.

The order book remains strong, and the railways growth trajectory also looks strong. So, we believe that there should be good traction for the freight rolling stock business or freight wagon business in the years to come.

As far as the passenger rail system is concerned, the quarter was very interesting because we had two new important contracts, one for Surat and one for Ahmedabad. And after the Pune Metro contract, while the company has got the Bangalore contract by way of subcontracting

from CRRC, these two tenders are the first direct tenders that we have received from the metro authorities in India. That makes these two contracts very significant.

What is also significant is that these are the two direct stainless-steel contracts, stainless steel car body contracts that we have received from a metro authority. The Pune contract we had was for aluminum coaches. So, this establishes Titagarh's forte into both aluminum and stainless-steel metro coach manufacturing. This combined with the Vande Bharat order would give a very good visibility, very strong visibility to our passenger rail systems business. And all our energies and all our focus now is on the execution of the contract that we have got here.

We believe we are confident of starting the stainless-steel manufacturing for the Bangalore Metro project within December this year. So in about a couple of months, we'll start production. And the first metro coach should be dispatched within this financial year for Bangalore Metro. So, it is the stainless-steel line setup is very well on track.

A quick update on the Vande Bharat. Vande Bharat project is also going very well on track. We have already progressed on the designing activity. The train is coming out very well. It would be in line with the expectations of the government and the people of India, and we expect to be able to offer to the people of India, a very modern and a very unique train travel experience by the new sleeper Vande Bharat that we will be launching or will be offering to the railways.

As far as shipbuilding, we had a launch of the first driving support craft. Of course, the shipbuilding has been now merged into the freight rolling stock business. But that is also a significant development because for the Navy, this was one of kind of vessels that we have been able to get from an Indian source under the Make in India policy of the government.

So, on the whole, I would say that it's been a satisfying quarter pretty much in line with what our external expectations were. Going forward, we believe that we will continue the thrust on growing the capacity of the production and the output of the freight wagons, and the passenger rail systems alike. We believe that the passenger rail systems have a much longer runway in terms of the potential, from where we are to where we have to go, there is a very long runway.

So just a quick update about Pune metro also Pune Metro, we have almost completed 60%, 70% of the contract and the rest would be completed within this financial year. With these few words, I would be very happy to answer any questions that may be there from the participants. Thank you.

**Moderator:** Thank you very much. The first question is from the line of Kaushik Mohan from Ashika Institute. Please go ahead.

**Kaushik Mohan:** Congratulations for the great set of numbers. So, sir, my first major question is on the raw materials consumed. If we see, we have shown that our raw material cost is somewhere around INR679.6 crores. So can I understand basically why are we having such a low raw material cost because of one impact on the raw material, our gross margins have increased from 21.8% to 22.9%.

**Umesh Chowdhary:** The gross margin in our business is a function of the type of wagon that we are producing. When the mix of the private wagon goes up contribution percentages improved. In the current quarter, the share of the private sector wagon has been slightly higher than earlier quarters, and that is a result that the gross plus margin percentages are better.

Having said that, because of the volumes, because of the efficiencies, etcetera, we have been able to as is reflective from the last several quarters that we have reported, we have been able to upscale our expected EBITDA margins. But in this quarter, the margins have been even better because of the mix of the private versus railway execution.

**Kaushik Mohan:** So, can we expect the blended margin to be upwards of 12% on the EBITDA level for the whole year?

**Umesh Chowdhary:** Earlier, we had maintained a margin guidance in the freight rolling stock for 8% to 10%. In the last call, I had mentioned because of the various steps that have been taken we would be able to be on the higher end of the spectrum, which is, I'd say, about 10%, 11% or so.

On a sustained basis, and I'm not talking about a quarter-to-quarter, and I'm not also talking about 3 or 4 quarters, but on a sustained basis, let's say, over a 8-quarter period, the normal margin of the industry should be considered as 11% may be going up to 11.5%. But this is on a much longer horizon. As far as shorter horizon is concerned, depending upon the product mix, the margins can be up and down.

**Kaushik Mohan:** Sir, in our presentation, page number three in business update, we have mentioned that wagons for private players is contributing around 26% of FTRS. That means am I right to assume that INR3,500 crores is coming from private players?

**Umesh Chowdhary:** That's the order book for the...

**Kaushik Mohan:** I'm right with assuming that number?

**Umesh Chowdhary:** I don't have the calculation with me, but yes, we can definitely do that calculation, and I'm sure it will be right.

**Kaushik Mohan:** And last and final question. I just wanted to understand, we have in the Page 14, you have told about that we're having a leadership position with 32% market share. Can you please explain that how this number is being arrived at?

**Umesh Chowdhary:** Sure. Mr. Anil Agarwal, please reply to the question.

**Saurav Singhanian:** Yes. So, we've given the source, it's in the Indian Railway, I mean the domain, which is given. And these numbers have been worked out based on the total number of wagons that has been dispatched in the year 2021, '22 and '23 orders.

**Kaushik Mohan:** Got it. So that means that whatever the Indian government has given us an order that number is at 32%...

- Saurav Singhania:** That's the percentage, yes.
- Kaushik Mohan:** Got it, sir. And then last and final question, how is the development on the wheel set plant?
- Umesh Chowdhary:** So that's also on the track actually. So, the ordering for the main equipment has already been done. Then the land we have already decided. So, everything is on-track.
- Kaushik Mohan:** Okay. So, by Q2 -- sorry, by Q3 or Q4 of [FY '24], can we expect the plan to be live?
- Umesh Chowdhary:** Actually, contractually, the first wheel set has to be dispatched 3 years from the signing of the contract. So, what we expect to do is that we should be able to produce the green shades before that and offer for inspection to the Indian Railways, that's our plan, and we are on track.
- Moderator:** The next question is from the line of Sudeep Anand.
- .
- Sudeep Anand:** Sir just wanted to understand how should we look at the margins in your PRS which is really between 2% to 3% or in fact 3%. So once our capacity goes up to 17 cars per month, what kind of a margin improvement we can expect then?
- Umesh Chowdhary:** Sure. So, the current margins of the PRS is not reflective of the business margins because of the low volume, the fixed costs remain the same, the margins get impacted. We had mentioned that an approximate margin of 10% in this business is expected at normal margins -- at normal volumes. Normal volumes would mean about 15 to 20 cars per month for the current Phase 1 of the production cycle. We expect that by middle of the next financial year, we should be able to achieve that run rate and be able to get to the normal margin.
- The margin improvement in this business will happen once we are able to backward integrate with the propulsion and the components which is what we are intending to do, and which is what we have already on track. We have already set the ball rolling. That should take us another maybe between 2 and 3 years, we would be able to backward integrate and we are working on different strategies to be able to become self-sufficient or self-reliant on the propulsion side, and that will give us a substantive margin boost.
- So, to answer your question, by middle of next financial year, we should be able to reach a base level of volume, which will give us an EBITDA margin of around 10%. And thereafter, in about 2, 2.5 years, once we are able to get the backward integration piece in place, we should be able to improve this margin even further.
- Sudeep Anand:** Okay. And sir, just one last one. So, looking at our order book, Invitalia recently floated a tender for 20,000 wagons. So how are we placed to actually bid for the maximum number of wagons. So, looking at the current order book, how are you placed, sir?
- Umesh Chowdhary:** We are very well placed. We would definitely be participating in a very meaningful manner in this tender. The deliveries required in this tender are stretching up to end of 2025, December '25, which in case the tender is finalized, everything goes well, then -- December 2025, otherwise, it

may be extended, which leaves us almost 23 months from now. And we have enough capacity available with us to be able to participate in a very meaningful manner in this manner.

**Moderator:** The next question is from Nikhil Abhyankar from ICICI Securities.

**Nikhil Abhyankar:** Sir, can you just give us the breakup between private and government wagons that we have dispatched in Q2 or the revenue breakup basically?

**Umesh Chowdhary:** As a matter of policy for competitive reasons, we do not give that. But the percentage of the wagon dispatched to private sector has been better compared to earlier quarters.

**Nikhil Abhyankar:** Okay. And sir, we were expecting a larger tender from railways, right, somewhere around 40,000 to 50,000 of wagons. So, are we expecting some other tender coming up?

**Umesh Chowdhary:** Well, our information is as good as yours in terms of newspaper reports and according to whatever we understand from those, total demand is not over by this tender that has been issued. This is only for one type of wagons. The other types of wagons that are required are yet to be tendered, and we are hoping that the tenders should come out in due course.

**Nikhil Abhyankar:** Understood. And sir, there was a moratorium on GPWIS wagons in March. So out of the sanction lot, how much is still remaining for delivery or for ordering or something like that? Can you give some highlight on that?

**Umesh Chowdhary:** There are enough approvals that are already active for the GPWIS, and we believe that -- by the time the moratorium is there, the pipeline will not get dried up. I do not have the exact numbers with me to be able to comment upon that. But in terms of the traction and the order pipeline, the GPWIS wagon have a very strong pipeline and traction both.

**Nikhil Abhyankar:** Sir, can you just give us the exact number, how much has been sanctioned till date?

**Umesh Chowdhary:** That's what I said. I don't have the exact numbers with me as of now.

**Moderator:** The next question is from the line of Shrinidhi from HSBC.

**Shrinidhi:** Congratulations on a great set of numbers. Sir, building on to this private wagon demand which continues to be very strong, and it's very well reflected in your numbers. Wondering, sir, apart from the GPWIS moratorium, are there other factors which is driving the strong demand from private market?

**Umesh Chowdhary:** The overall voice in the economic synergies is driving the wagon market. Wagon is a very attractive investment in terms of the return on investment or return on capital employed, any investment made into purchase of wagon is very attractive. And obviously, the users, when they -- the base volume of the business imports like it is for the different core sectors, they are investing into assets that can give them a better return.

So, the moratorium actually has nothing to do with the quality in the market. The moratorium was good because of different reasons. But we believe that the traction in the wagon market or

the private wagon, whether it is in GPWIS, whether it is in the container train operators' team, we've also seen a lot of traction on the container train operator scheme. We've seen a lot of traction on the steel plant buying wagons for their own use, of course, for the mining and power and all of that.

So, on the whole private sector wagon has seen a good traction. The one factor that can be attributed is more, I would say, user-friendly approach of the railways towards investment in 2 wagons, which has encouraged private sector to continue their investment in buying wagons.

**Shrinidhi:**

Right, sir. Second question I have, sir, is on the potential new entrants in the wagon industry, we saw that industry almost doubling or even more than that in just a couple of years. So, are you seeing new players entering in this wagon manufacturing industry? And can you also take us how long is the approval process for a new entrant to come in this industry?

**Umesh Chowdhary:**

So, we've not heard of any new entrant apart from the ones that were already existing that are entering into the industry as of this moment. But of course, it's an open industry and people can enter. The normal cycle time for new entrants to get established and come to the regular bidding and regular order taking cycle because it's also a safety product and meet the railways on a mixed track.

So as a result of that, normally, what we have seen is anything between three years to seven years – three years to five years, six years. And if you look at the last two or three entrants, they took at least two years, three years – three years to five years, I would say, for being able to establish themselves as a regular manufacturer.

**Shrinidhi Karlekar:**

Right. And last one, if I may. On the receivables, sir, we saw receivables increasing from March levels. Wondering what is really driving that? And what level one can expect that this stabilized by the year-end?

**Umesh Chowdhary:**

This is a temporary phenomenon because of the sales were backended in the quarter towards end of the quarter, and also the mix change between private and the railway. Normally, the payment terms are maybe just a couple of weeks more in the private sector segment. So, this is a temporary phenomenon.

As far as the working capital cycle is concerned, we are more than confident that we will be able to maintain our targeted working capital cycle of -- net working capital days of under 30 days as far as the freight rolling stock is concerned.

**Moderator:**

Thank you. The next question is from Balasubramanian from Arihant Capital. Please go ahead.

**Balasubramanian:**

Congratulations for good set of numbers. Sir, I have seen in the railways data, I think railway volumes have been declined, not only Titagarh other competitor players also like private wagons volumes have been increased. I just want to understand like these private volumes or export markets or domestic markets have supplied, if you could talk about what kind of export opportunities do you have any new order pipeline? And how about inquiry status under exports market?



**Umesh Chowdhary:** So, the private wagons primarily are domestic demands and indirectly, they are going to the railways only because they are operated by the Indian Railways. It is the procurement channel that we come through the private sector. And the usage is on the private sector, which in any case, even if the railway buys, the ultimate customer is the private sector or the core sector.

As far as export is concerned, barring sporadic wagon export to neighboring countries or to some African countries, there is not a huge export market for the complete wagons per se, the reason being the logistics cost that is to give a comparison of wagon that cost, maybe about INR40 lakh kind of occupies the same shipping volume compared to a coach, which costs about INR10 crores.

So, the shipping cost as a percentage of the capital cost in wagon becomes very high, as a result of which, wagon is a more localized domesticated industry sorry domesticized industry, , but there are sporadic demands that keep on coming up for wagons. And as a company, we have also exported wagons to neighboring countries into some African countries in the past.

**Balasubramanian:** Okay, sir. Sir, could you please share volume number for freight and passenger rolling stocks for this quarter?

**Umesh Chowdhary:** It is already given in the segmental. Your question, sorry, is freight and passenger?

**Balasubramanian:** Volume, sir. Overall volume.

**Umesh Chowdhary:** Yes. It's given the freight and the passenger in the technical reporting.

**Moderator:** Thank you. The next question is from Shirom Kapur from Prabhudas Lilladher. Please go ahead.

**Moderator:** Sorry, sir. The line for the participant dropped. We move on to the next participant from the name of Kunal Sheth. Please go ahead.

**Kunal Sheth:** My question is pertaining to the passenger rail segment. You did mention about the backward integration could lead to further improvement in margins. So, if you can just talk us through about what are the timelines that you're keeping in mind in terms of what is usually the timeline that it takes for some of these products to get backward integrated as in put up line approval process. Are there any major approval process that are required to be in place?

**Umesh Chowdhary:** Sure. So as far as the bulk of the backward integration margin, which is already on track is the propulsion system. And we have already set up our facility for the propulsion systems for some of the propulsion system, we have also received approvals, for example, the traction motors etcetera. But then they have to go through a very stringent trial process.

And some of the other like metro propulsion, we are still way to develop those systems by way of our own engineering setup, and we are also exploring some technology tie-ups, etcetera. So all told, we believe for the propulsion system that we are now working to be backward integrated in the first stage, we will be able to get this on track, as I said, between two years to three years from now, wherein we expect that we will be able to utilize our own propulsion system for the metro coaches manufactured by us.

- Kunal Sheth:** And for other products that you were planning to backward integrate any timelines and approvals on that one?
- Umesh Chowdhary:** I'm sorry, I couldn't hear you.
- Kunal Sheth:** So apart from propulsion systems, any other products that we are looking to backward integrate and any timelines and approval process that we will have to go through in those products?
- Umesh Chowdhary:** Yes. So those processes are already ongoing. Some of them have already happened. Some of them will continue to happen. And the timeline that I'm mentioning is including those approval processes.
- Moderator:** Thank you. The next question is from the line of Hemant, who is an individual investor. Please go ahead, sir.
- Hemant:** Sir, congratulations on a very good set of numbers and for providing the opportunity. Sir, first of all, I would like to know, out of the total order book of nearly INR28,000 crores, what is share of Titagarh? Because as I understand, we have the 51% or 52% share with the rail and the 50% target for you also, right? So out of the total order book, what is the actual share of our company?
- Umesh Chowdhary:** The order book reported is only considering our share of the order. So, wherever the share of Titagarh is say 51%, the order book of INR28,000 crores is considering 51% of that particular order. So INR28,000-odd crores that has been reported is our share of the order book.
- Hemant:** And sir, one more thing I wanted to ask you, we are planning to ramp-up our production facility, right? From 20 coaches to 70 coaches per month and 1,000 wagons per month. So, what is the timing for the completion of the same?
- Umesh Chowdhary:** As far as the freight wagon ramp-up is concerned, as I had mentioned at the beginning of the call, we will be able to achieve that by the end of this financial year. As far as getting the capacity to 70 cars per month is concerned for the passenger coaches, it is going to take us about three years, 3.5 years from now to be able to reach that capacity.
- Hemant:** Sir, I wanted to ask you, when is the commencement of the coach wheels production, the joint venture
- Umesh Chowdhary:** The coach wheels, according to the contract is supposed to start before April 2026 and we believe we will be able to be ahead of that.
- Hemant:** Okay. Sir, and your revenue guidance for the next year?
- Umesh Chowdhary:** No, we do not give as a matter of policy, any revenue or any other guidance.
- Hemant:** Any broad range?
- Umesh Chowdhary:** But we have disclosed the order book and the outlook of the company.

- Moderator:** Sorry to interrupt Mr. Hemant, you can come back in the question queue for additional questions. The next question is from Viren Deshpande from Alpha peak Investments. Please go ahead.
- Viren Deshpande:** Congratulations on the excellent numbers we have been able to do in this quarter as well as the first quarter. So, do we expect the second half of the year to be significantly better than the first half because our ramp-up of wagons, etcetera, will continue?
- Umesh Chowdhary:** As far as the ongoing quarters as I mentioned that we would be around similar levels as far as the freight rolling stock and the passenger rolling stock is concerned, wherein the ramp-up for the freight rolling stock will start happening in the end of the current fiscal. So, we will really take the advantage to see the advantage of that coming in the next financial year.
- As far as the passenger rolling stock is concerned, we are now in the process of finishing the execution for the Pune Metro, and we will start Bangalore Metro. So, there may be a few quarters, maybe two quarters, three quarters before we are able to ramp-up the capacity to the desired level of 15 to 25 per month.
- Viren Deshpande:** And this, contract with railways, etcetera, which we are having with the major contract are basically the earlier experience a few years back was that the government contracts normally get delayed inordinately or the payment terms are not quite good. So, what is the experience from this -- after this new government has come in and the new orders which we are secured, so is the experience far better than the earlier few years, sir?
- Umesh Chowdhary:** Well, the working of the government is significantly better in the current government in terms of decision-making, in terms of execution, in terms of overall planning. Having said that, knock on wood in our industry, the orders which are placed because these are capital goods. They are all against sanctioned budgets. So, we've never, in the last 26 years of our history had problems of the nature that we just mentioned in our industry. And we hope that will never happen in the future also.
- Viren Deshpande:** So, we are getting good terms for payments, etcetera, also on time?
- Umesh Chowdhary:** They are contractual terms, that would not be called good or bad, but the payments are made within the contractual terms.
- Viren Deshpande:** And the last question is regarding, how much capex do we plan this year? And do we need to raise any funds for that purpose?
- Umesh Chowdhary:** We had already announced capex at the beginning of the fiscal that we will be investing about INR600 cores to INR700 crores overall. And as of now, there is no plan to raise any capital. As and when if there is something, definitely, we will come back to the market with it.
- Moderator:** Thank you. The next question is from the line of Balasubramanian from Arihant Capital. Please go ahead.
- Balasubramanian:** Thank you so much, sir. Sir, on the private wagon side, how much advanced mobilization we are getting?

- Umesh Chowdhary:** Different contracts have different advanced clauses. It is not possible for us for competitive reasons to speak in definitive terms of different contracts. But different contracts have different payment conditions and different contractual conditions. And these are not one order, these are several orders that we keep on getting from the private customer.
- Balasubramanian:** Sir, based on historical data in the range and percentage terms, 5%, 10%?
- Umesh Chowdhary:** Anything from 0% to 50%. Maximum contract with 0% advanced, and we have seen contracts with 50% advance.
- Balasubramanian:** Okay, sir, Umesh Sir, I'm unable to get the volume data. So, in September month, we have dispatched 759 wagons. We can assume in that range only, we can able to another two months also, July and August, 700 wagons on the freight side?
- Umesh Chowdhary:** I'm sorry, I'm not able to understand your question.
- Balasubramanian:** In September month, we have dispatched 759 wagons. Is that fair to assume, July and August 700 wagons in that range, on the freight side?
- Umesh Chowdhary:** We've given the peak production that we have achieved, we would not be able to discuss the monthly production data. As far as the total overall quarterly performance is concerned, it has been, as we mentioned, in line with our expectations. We believe that we will be able to maintain an average run rate between 600 wagons to 700 wagons per month and gradually ramp it up to reach 1,000 wagons average per month by the end of this financial year.
- Moderator:** Thank you. The next question is from the line of Dewrat Mohta from Capital Group. Please go ahead.
- Dewrat Mohta:** Hi, Congratulations on good results. I do have one question on the cash flow statement, there's been a buildup in receivables. Can you just talk to what's happened there?
- Umesh Chowdhary:** Thank you very much. I just answered this question. This is a normal temporary phenomenon because the bulk of the private sector sales happened towards the end of the quarter. So, the normal payment term cycle gets figured at the particular point of time, the receivables became higher, but then they start getting normalized as the payments start getting due.
- Dewrat Mohta:** Got it. And then secondly, on the passenger rail business, when do you expect margins to start improving
- Umesh Chowdhary:** On the passenger side, our average blended margins should be able to normalize when we reach normal levels of volume, which is 15 cars to 20 cars per month, which we are expecting to achieve by the middle of next financial year.
- Moderator:** The next question is from the line of Shirom Kapur from Prabhudas Lilladher. Please go ahead.

**Shirom Kapur:** Great. And pardon me, if there's any repetition as my call dropped off. So basically, in your investor presentation, you have highlighted a INR50,000 crores to INR70,000 crores opportunity size in metros. Is this purely for rolling stock?

**Umesh Chowdhary:** Yes, I will request Anil to -- yes.

**Anil Agarwal:** This is for the metro rolling stock, yes.

**Shirom Kapur:** Okay. And over how many years are we expecting this sort of opportunity size to -- how many of these tenders to come out and what is Titagarh's typical win rate or market share in metros. How much can we typically expect Titagarh to win out of this entire opportunity size?

**Umesh Chowdhary:** So as far as the timing for this business to materialize is concerned, it is not dependent upon the execution of the metro project. But this is based on public data that is available, which we have quoted. And we believe that, this should get executed over the next five years and seven years. In terms of our own market share, we are a new entrant in the market, and we have been continuously and steadily establishing ourselves.

We believe that, we will be a very strong tender for larger market share because of the capacity buildup that we are doing and the backward integration that we are doing, which will make us the only Indian company, which will have both a complete end-to-end design to manufacture to service facility for comprehensively aluminum and stainless steel metros with their own propulsion.

So that will give us a huge competitive advantage. And this is the whole basis on which we are strategizing our investments and our positioning in the market. We believe that the Indian market we can offer the best, most competitive product. And therefore, gain substantial market share.

**Shirom Kapur:** Understood. That's very helpful, sir. And moving on to now the Vande Bharat opportunity. So, I understand, you've already received a tender to make 80 cars for the 200-train tender. Going forward, there's a plan for the government at 800 Vande Bharat trains by 2030. And I believe 400 have already been tendered out, include initially plus your 200 and another 100 aluminum trains. And so, in the remaining 400, will Titagarh be participating in all those tenders, including the aluminum trains? And what is the opportunity size still available to the Titagarh in Vande Bharat?

**Umesh Chowdhary:** So, we believe that the aspiration of the new India is very clear that gone are the days, where in India was satisfied with the old antiquated train system or travel system. So, we believe that this opportunity is not going to stop with 400 trains or 800 trains. The population of India would demand better trains the like of Vande Bharat. And as far as Titagarh position is concerned, as I just mentioned for metro, the same applies for Vande Bharat.

We are establishing ourselves, and I mentioned in my opening remarks that, we will be in due course in a few couple of months, maybe coming out with our design that we are conceptualizing for the Vande Bharat and the country would see that the future of train travel that our Vande Bharat will offer.

- Shirom Kapur:** Understood, sir. And do you have any value that you could assign to even typically what the cost of one train would be? And even for the future ones, given that, they're going to be more modern and there's going to be sleeper version. So, if you could give an estimate of, what per train cost opportunity size for Titagarh?
- Umesh Chowdhary:** It is in public domain that the train is between INR120 crores to INR140 crores, depending upon whether it is a stainless steel or an aluminum train. And going forward, the benchmark for Titagarh, the pricing is going to be derived from there.
- Moderator:** Thank you. The next question is from the line of Shrinidhi from HSBC. Please go ahead.
- Shrinidhi:** Yes, hi. Thank you for the follow-up opportunity. Umesh sir, in this contract that the company had won for 24,000 wagons, back in May '22. That contract had this option clause, giving railway rights to procure 30% additional wagons at same pricing with same price variation plus. Wondering how often does railway exercises this quantity option contracts?
- Umesh Chowdhary:** Since there's no obligation on the railway to exercise this auction clause. This is as we won suggest an option of the railway. But in the past, we have seen more often than not the auction clause getting exercised. And because the railways demand does not slow down. So, we believe that the auction clause is something that we have seen in the last several years in most of the contracts have gotten exercise. So, we need to wait and watch to see how the railway does with the current contract.
- Shrinidhi:** And the similar contracts are there in Vande Bharat contract as well? Or these are typically wagon contracts, which has the option contract?
- Umesh Chowdhary:** Similar option clauses are there in the Vande Bharat as well.
- Shrinidhi:** Right. And last one, sir, if I may, few of the investors had this query relating to how is company like the Vande Bharat contract is a consortium contract? And how are the partners basically protected from the possible execution challenges or failure from other partners? So, are there terms in the contract which protects Titagarh in both supply as well as O&M from the possible challenges from the partner execution?
- Umesh Chowdhary:** Absolutely, it's a very interesting question. And yes, the consortium agreement between us and our consortium partner, adequately addresses such eventuality, wherein the failure or potential failure or delay by one partner does not impede the capability of the other partners to move forward and perform.
- Consortiums are very common in this industry globally. And over a period of time, consortium arrangements have matured, and consortium agreements have matured to an extent that most of the risks that are foreseeable are mitigated to the best possible extent.
- Moderator:** Thank you. The next question is from the line of Indrajit Chakravarty from Scrip Trading Corporation. Please go ahead.

- Indrajit Chakravarty:** Greetings to Mr. Chowdhary and his team. Congratulations on a great set of numbers. I need a small clarification regarding the size of the upcoming wagon tender from Indian Railways, which is being spoken about. Is it for 20,000 wagons? Or is it for 50,000 wagons, if you might please clarify? Thank you.
- Umesh Chowdhary:** Greeting, sir. So, I was mentioning our information and our knowledge is as good or as bad as everybody else. [Inaudible] Out of which 20,000 have already been tendered and this is only for one single type of wagon. So, we are hoping and waiting for the railways to come out with a tender for the others.
- Indrajit Chakrabarti:** And if I may add one more question, a small thing, which is this Vande Bharat trains which you are making right now, that is for sleeper coaches or just chair car things?
- Umesh Chowdhary:** I'm saying that Vande Bharat, we are making our sleeper train. These are sleeper coaches.
- Moderator:** The next question is from the line of Rajamohan V, who is an individual investor. Please go ahead.
- Rajamohan V:** Yes. Thank you for the opportunity and congratulations on another solid performance. My first question was of the passenger rolling stock order book of INR13,870 crores, what would be the metro component? And what would be the execution time lines would it be, say, two, three years times?
- Umesh Chowdhary:** So out of the order book that we have for the passenger rail system, bulk is of the Vande Bharat and metro component is, as we mentioned, we have now three projects after Pune, so Bangalore, which is a subcontracting project. Then we have Surat and Ahmedabad. There are, of course, new opportunities that are in the pipeline and we will be participating in trying to back them. The current orders that we have on an average about a three, three-and-a-half-year kind of a delivery schedule. So, this will be executed in the next three, three and a half years' time.
- Rajamohan V:** So roughly, would Metro be about INR2,000 crores to INR2,500-odd crores if you add all the...
- Umesh Chowdhary:** It would be. Let's say, out of the total business volume, it would be about 15% approximately.
- Rajamohan V:** Fine. Further with a significant ramp up from, say, five, six coaches to 70 coaches that you envisage in the next three years. Can you roughly give a road map on average monthly coaches that one can see being delivered in FY'24, FY'25 and FY'26 as per your internal estimates?
- Umesh Chowdhary:** So, we would only be able to give you the milestone that we have disclosed, which we have shared in public domain, which is the important milestones. Which is we will be able to reach our first targeted capacity of between 15 to 20 coaches by the middle of next fiscal and we should be able to reach the full capacity in about three, three and a half years' time.
- Rajamohan V:** One final question on freight rolling stock. You have famously guided to reaching 1,000 production capacity by this year end. Would it mean we would have average dispatches of say around 800 for the current year? What would be reaching 759 in September? And extending this further to FY'25, would we then be easily achieving average 1,000 or more dispatches for FY'25?

- Umesh Chowdhary:** So as I mentioned a little while ago, we are now at about between 600 to 700. I think one month dispatch figure should not be taken as the very gospel benchmark. Right now, we are at an average of 600 to 700 wagons. We intend to slowly wrap this up to 1,000 wagons, which we will be able to reach by the end of the year. So yes, as far as the next year is concerned, we will target to be at around say 1,000 maybe 10%, 5% here or there, average run rate in the years to come.
- Rajamohan V:** So, the next year could see a significant, say 50% kind of volume growth at least in freight rolling stock?
- Umesh Chowdhary:** That's right.
- Moderator:** Thank you so much. The next question is from the line of Mr. Pankaj from Affluent Assets. Please go ahead.
- Pankaj:** Thanks a lot for taking my question and congrats for very good set of numbers. Sir, in answer to one of the questions earlier. As you mentioned that the cost of making a Vande Bharat train would be anywhere between INR130 crores to INR140 crores, depending on the material used and we have quoted accordingly, if I'm not wrong, in the bid. But when the bids are open and when we back the order, we had to match the price set by the first level bidder. So, do you mean to say that in this contract, the contract for 80 trains, we would be making losses or maybe minimal profit or are we very aggressive in participating in this contract?
- Umesh Chowdhary:** We have already, maybe last or last before call, we had explained this in detail, but I'll just briefly sum it up for you. The tender for Vande Bharat is concerned, we were L2 in our bid. And of course, the L1 was an aggressive price. The similar Vande Bharat are being produced by the railways and the benchmark pricing is lesser than the price that has been offered to us.
- So, in a nutshell, we are confident of being able to maintain our margin of around 10% for the train, for the service, the margin should be better. Of course, this is a very large tender and one of the larger ones in the world. So, we will be able to have a substantive procurement power. And considering the volume 1,280 coaches is a very large volume. So, considering the volume, we have done our homework and with the right make-and-buy decision, we will definitely end up with about ballpark of 10% of EBITDA this year as well.
- Moderator:** Sorry to interrupt Mr. Pankaj could you rejoin the question queue again for follow-up questions.
- Pankaj:** Sure, sure.
- Moderator:** Thank you so much. Ladies and gentlemen, we are taking the last question for this session from the line of Mr. Priyesh Babariya from the company, Max Life Insurance. Please go ahead, sir.
- Priyesh Babariya:** Thank you, thank you sir. Thank you so much for the opportunity and congratulations for the good set of numbers. So, sir, a couple of questions from my side. First, on freight rolling stock, especially on export side, when government had announced India, Middle East, European corridor, so we thought that we finally see that we will export the large number of wagons to



these countries, or we will export from the India itself. So, after erupting the Israel war, so where do you see the exports actually going ahead and where we will see the export traction, we'll see in a minimal way to those countries where we are not funding from the country perspective?

**Umesh Chowdhary:**

Thank you very much, but that's a very macro geopolitical question which is very difficult to be answered at this point of time. I do believe that the regional conflicts will not for a very long period of time, upset global alliances. We have seen that last year in other parts of the world where the regional conflicts have precipitated for much longer than desired or expected. But that has not stopped or deterred the world from coming together or to continue with the economic developments by way of global alliances.

So, in terms of whether it is a corridor that is being planned or in terms of alliances for funding and exports, etcetera, we do not see that there will be a long-term disturbance or value disruption or kind of value proposition disruption on those. In terms of export market for wagons is concerned, as I had also mentioned that there is a limited niche market for wagon.

There is a larger market for wagon components because of the shared logistics cost of wagon being shipped out, the volume being the same for a commodity which are of a product, which costs about INR40 lakhs on an average compared to a coach, which costs about INR10 crores. It does not make too much of an economic justification for long-distance cross-border export or supply of wagons. There are niche business opportunities that come, but they are more localized in nature.

**Priyesh Babariya:**

Sure. Thank you. My second question is regarding the propulsion...

**Moderator:**

Sorry to interrupt Mr. Priyesh. Due to shortage of time, we will be ending the call here. So, I would like to hand over the conference over to Mr. Dharendra Tiwari for the closing comments.

**Dhirendra Tiwari:**

Thank you. On behalf of Antique Stock Broking, I thank the management team of Titagarh Rail Systems for giving us the opportunity to host the call. I also thank all the participants. Before I close, would you like to say any closing remarks, Umeshji, then we can close.

**Umesh Chowdhary:**

No, thank you, Dhirendraji and thank you for organizing such a vibrant call. It was very interesting to interact with all the participants and we hope to keep in touch post our next earnings call after December. And thank you, everybody, for your good wishes, your continuous support which is very important for the company and we believe that the company is in a very interesting position wherein while on the freight rolling stock, we have already stabilized or traveled the journey to a large extent.

But for the passenger side, we are still, as I mentioned in the opening remarks, we have a long runway and then we have a long flight ahead of us. So, we are very excited, very committed towards this journey. And we hope we will have a successful and a very fruitful road ahead.

**Dhirendra Tiwari:**

Thank you very much. Thank you, sir, and thank you all the participants. Now we can close the call.



**Umesh Chowdhary:** Thank you, sir.

**Moderator:** On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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This document has been edited to improve readability